

**SOUTH LAKE SCHOOLS**

**St. Clair Shores, Michigan**

**ANNUAL FINANCIAL STATEMENTS**  
**with Supplementary Information**

**FOR THE YEAR ENDED**  
**JUNE 30, 2010**



# SOUTH LAKE SCHOOLS

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Education  
South Lake Schools  
St. Clair Shores, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of South Lake Schools as of and for the year ended June 30, 2010, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of South Lake Schools' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of South Lake Schools, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2010, on our consideration of South Lake Schools' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 9 and budgetary comparison on page 35 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise South Lake Schools' basic financial statements. The accompanying other supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Stewart, Beauvais & Whipple*  
Certified Public Accountants

October 12, 2010

This section of South Lake Schools' annual financial report presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2010. Please read it in conjunction with the School District's financial statements, which immediately follow this section.

**Using this Annual Report**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand South Lake Schools financially as a whole. The *District-wide Financial Statements* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short term as well as what remains for future spending. The fund financial statements look at the School District's operations in more detail than the district-wide financial statements by providing information about the School District's most significant funds, the General Fund and the 2008 Construction Fund, with all other funds presented in one column as non-major funds. The remaining statements, the Statement of Fiduciary Net Assets, presents financial information about activities for which the School District acts solely as an agent for the benefit of students/parents and employee benefits.

*Management's Discussion and Analysis (MD&A)*  
*(Required Supplementary Information)*

**Basic Financial Statements**

*District-wide Financial Statements*

*Fund Financial Statements*

*Notes to the Basic Financial Statements*

*(Required Supplementary Information)*  
*Budgetary Information for the General Fund*

*Other Supplementary Information*

**Reporting the School District as a Whole – District-wide Financial Statements**

One of the most important questions asked about the School District is, "As a whole, what is the School District's financial condition as a result of the year's activities?" The statement of net assets and the statement of activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the School District's net assets – the difference between assets and liabilities, as reported in the statement of net assets – as one way to measure the School District's financial health or financial position. Over time, increases or decreases in the School District's net assets – as reported in the statement of activities – are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District's operating results. However, the School District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the School District.

The statement of net assets and statement of activities report the governmental activities for the School District, which encompass all of the School District's services, including instruction, supporting services, community services, athletics, childcare, food services, and capital projects. Property taxes, unrestricted State Aid (foundation allowance revenue), and State and Federal grants finance most of these activities.

**Reporting the School District's Most Significant Funds – Fund Financial Statements**

The School District's fund financial statements provide detailed information about the most significant funds – not the School District as a whole. Some funds are required to be established by State law and by bond covenants. However, the School District establishes many other funds to help it control and manage money for particular purposes (Food Services and Latch Key Funds are examples) or to show that it's meeting legal responsibilities for using certain taxes, grants, and other money, such as the bond funded construction fund used for voter-approved capital projects. The governmental funds of the School District use the following accounting approach:

**Governmental funds** – All of the School District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the School District and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds in reconciliation on pages 13 and 15.

**Proprietary fund** – Proprietary fund reporting focuses on economic resources measurement and an accounting method called full accounting. The proprietary fund statements present a long-term view of operations and the services it provides to other funds.

The School District established a proprietary fund, specifically an Internal Service Fund, to finance specific services provides to other funds of the School District on a cost reimbursement basis. The specific services are for early retirement benefits.

**The School District as Trustee – Reporting the School District’s Fiduciary Responsibilities**

The School District is the trustee, or fiduciary, for its employee benefit trust and student activity funds. All of the School District’s fiduciary activities are reported in separate statements of fiduciary net assets and change in net assets. We exclude these activities from the School District’s other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

**The School District as a Whole**

Recall that the statement of net assets provides the perspective of the School District as a whole. Table I provides a summary of the School District’s net assets as of June 30, 2010 and 2009:

TABLE I

	Governmental Activities (in millions)	
	<u>2010</u>	<u>2009</u>
<b>Assets</b>		
Current and other assets	\$ 13.9	\$ 19.6
Capital assets, net of accumulated depreciation	<u>32.5</u>	<u>29.7</u>
Total Assets	<u>46.4</u>	<u>49.3</u>
<b>Liabilities</b>		
Current liabilities	4.6	3.3
Non-current liabilities	<u>25.9</u>	<u>28.0</u>
Total Liabilities	<u>30.5</u>	<u>31.3</u>
<b>Net Assets</b>		
Invested in property and equipment, net of related debt	13.6	12.4
Restricted	1.6	2.2
Unrestricted	<u>.7</u>	<u>3.4</u>
Total Net Assets	<u>\$ 15.9</u>	<u>\$ 18.0</u>

The above analysis focuses on the net assets (see Table I). The change in net assets (see Table II) of the School District’s governmental activities is discussed below. The School District’s net assets were \$15.9 million at June 30, 2010. Capital assets, net of related debt (\$13.6 million) compares the original cost, less depreciation of the School District’s capital assets, to long-term debt used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net assets (\$1.6 million) are reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District’s ability to use those net assets for day-to-day operations. The remaining amount of net assets (\$.7 million) was unrestricted.

The \$.7 million in unrestricted net assets of governmental activities represents the *accumulated* results of all past years’ operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year’s operations for the School District as a whole are reported in the statement of activities (see Table II), which shows the changes in net assets for fiscal year 2010 and 2009.

TABLE II

	<u>Governmental Activities</u>	
	<u>2010</u>	<u>2009</u>
<b>Revenue</b>		
Program Revenue:		
Charges for services	\$ 605,551	\$ 636,691
Operating grant and contributions	3,700,482	3,623,496
Capital grants and contributions	8,357	-
General Revenue:		
Property taxes	8,520,703	9,061,797
State foundation allowance	14,147,318	14,997,750
Interest and investment earnings	15,717	131,036
Other	<u>103,344</u>	<u>-</u>
Total Revenue and Special Item	<u>27,101,472</u>	<u>28,450,770</u>
 <b>Functions/Program Expenses</b>		
Instruction	13,638,002	13,433,838
Support services	10,369,650	11,360,127
Community services	1,035,535	712,361
Athletics	397,992	422,073
Food services	687,675	663,559
Latchkey	148,689	181,243
Outgoing transfers and other transactions	54,903	38,789
Interest on long-term debt	1,244,706	1,293,906
Special Item: Impairment of Long Lived Assets	<u>1,589,576</u>	<u>-</u>
Total Expenses	<u>29,166,728</u>	<u>28,105,896</u>
 <b>Increase/(Decrease) in Net Assets</b>	 <u>\$ (2,065,256)</u>	 <u>\$ 344,874</u>

As reported in the statement of activities, the cost of all of our *governmental* activities this year was \$27.6 million excluding the adjustment for impaired assets. Certain activities were partially funded from those who benefited from the programs (\$.6 million) or by other governments and organizations that subsidized certain programs with grants, categoricals, and contributions (\$3.7 million). We paid for the remaining "public benefit" portion of our governmental activities with \$8.5 million in taxes, \$14.1 million in State Foundation Allowance, and with our other revenues, such as interest and general entitlements.

The School District experienced a decrease in net assets of \$2,065,256. The decrease in net assets differs from the change in fund balance and the reconciliation appears on page 15.

As discussed above, the net cost shows the financial burden that was placed on the State and the School District's taxpayers by each of these functions. Since property taxes for operations and unrestricted State aid constitute the vast majority of School District operating revenue sources, the Board of Education and Administration must annually evaluate the needs of the School District and balance those needs with State-prescribed available unrestricted resources.

**The School District's Funds**

As we noted earlier, the School District uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the School District is being accountable for the resources taxpayers and others provide to it and may provide more insight into the School District's overall financial health.

As the School District completed this year, the governmental funds reported a combined fund balance of \$9.0 million, which is a decrease of \$6.5 million from last year. The primary reason for the decrease was due to ongoing bond construction projects. In the General Fund, our principal operating fund, the fund balance decreased by \$1,100,147 to \$2,346,685. Overall, General Fund expenses were within 97 percent of budgeted amounts. The 2008 Construction Fund balance decreased by \$4,893,601 due to construction expenditures.

- Combined, the Debt Service Funds showed a fund balance decrease of \$476,308. Millage rates are determined annually to ensure that the School District accumulates sufficient resources to pay semi-annual bond issue-related debt service. Debt Service Funds fund balances are reserved since they can only be used to pay debt service obligations.

**General Fund Budgetary Highlights**

Over the course of the year, the School District revises its budget as it attempts to deal with changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements. Changes to the General Fund original budget were as follows:

- Budgeted revenues were decreased by \$1,012,862. The overall change of 4 percent was insignificant. The change is mostly attributable to a reduction in state revenues resulting from actual student enrollment (and state membership aid) falling below initial projections.

- Budgeted expenditures and transfers were increased by \$195,861. The overall change of .08 percent was insignificant. The increase is attributable to an increase in teaching staff.
- There were no significant individual variances between the final budget and actual amounts, however the final budget had estimated a net decrease in fund balance of \$2,128,172 and actual net decrease in fund balance was \$1,100,147.

**Capital Asset and Debt Administration**

**Capital Assets**

At June 30, 2010 the School District had \$43.7 million invested in a broad range of capital assets before depreciation, including land, building, furniture, and equipment. This amount represents a net increase of capital assets prior to depreciation (including additions and disposals) of approximately \$3,422,926 or 8 percent, from last year.

	<u>2010</u>	<u>2009</u>
Land	\$ 580,332	\$ 580,332
Construction in progress	5,676,469	928,132
Buildings	35,363,005	36,688,416
Buses and other vehicles	853,722	853,722
Furniture and equipment	<u>1,235,093</u>	<u>1,235,093</u>
Total capital assets	43,708,621	40,285,695
Less accumulated depreciation	( <u>11,218,291</u> )	( <u>10,527,056</u> )
Net capital assets	<u>\$ 32,490,330</u>	<u>\$ 29,758,639</u>

This year’s additions of \$5,012,502 included construction in progress and building improvements. Also, the Pare Elementary School was closed and the carrying value was decreased by \$1,589,576 to estimate fair value.

In the 2010-11 fiscal year, we anticipate completing the majority of the construction bond projects. We present more detailed information about our capital assets in the notes to the financial statements on page 28.

**Debt**

At the end of this year, the School District had \$25.7 million in bonds outstanding versus \$27.5 in the previous year – a decrease of 6 percent. Those bonds consisted of the following:

	<u>2010</u>	<u>2009</u>
General Obligation Bonds	<u>\$ 25,725,000</u>	<u>\$ 27,460,000</u>

The School District's General Obligation Bond rating continues to be equivalent to the State's credit rating. The State limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within the School District's boundaries. If the School District issues "qualified debt," i.e., debt backed by the State of Michigan, such obligations are not subject to this debt limit. The School District's outstanding qualified general obligation debt of \$25.7 million is significantly below the statutorily imposed limit for unqualified debt.

Other obligations include employee-compensated absences and severance plan benefits. We present more detailed information about our long-term liabilities in the notes to the financial statements.

**Economic Factors and Next Year's Budgets and Rates**

Our elected officials and administration consider many factors when setting the School District's 2010-11 fiscal year budget. One of the most important factors affecting the budget is our student count. Foundation revenue, which is composed of State aid and local property taxes, is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2010-11 fiscal year is 25 percent and 75 percent of the February 2010 and September 2010 student counts, respectively. The 2010-11 fiscal year budget was adopted in June 2010, based on an estimate of students that will be enrolled in September 2010. Approximately 63 percent of total General Fund revenues are from the foundation allowance.

Under State law, the School District cannot access additional property tax revenue for general operations. As a result, district funding is heavily dependent on the State's ability to fund local school operations. Based on early enrollment data at the start of 2010-2011 school year, we anticipate that the fall student count will be above estimates used in creating the 2010-11 fiscal year budget. Once the final student count and related per pupil funding is validated, State law requires the School District to amend the budget if actual district resources are not sufficient to fund original appropriations.

Since the School District's revenue is heavily dependent on State funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenues to fund its appropriation to school districts. The State periodically holds a revenue-estimating conference to estimate revenues. The appropriation may include grant proceeds from the American Recovery and Reinvestment Act (ARRA) to partially or fully fund the district's revenue entitlement.

**Contacting the School District's Financial Management**

This financial report is designed to provide the School District's citizens, taxpayers, customers, and investors and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Department, 23101 Stadium Boulevard, St. Clair Shores, MI 48080.

## **BASIC FINANCIAL STATEMENTS**

**SOUTH LAKE SCHOOLS**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2010**

	Governmental Activities
<b>ASSETS:</b>	
Cash and cash equivalents	\$ 6,808,269
Investments	3,658,082
Receivables -	
Accounts	14,103
Interest	5,007
Taxes (Net allowance for doubtful accounts)	63,488
Due from other governmental units -	
State	2,817,956
Local	208,373
Prepaid expenses	109,047
Deferred charges - issuance cost	235,174
Capital Assets (net of accumulated depreciation)	
Assets not being depreciated	6,256,801
Assets being depreciated	26,233,529
Total Assets	46,409,829
<b>LIABILITIES:</b>	
Accounts payable	942,328
Accrued payroll and payroll taxes	2,740,189
Accrued interest	191,626
Due to other governmental units	127,008
Note payable	500,000
Deferred revenue	55,093
Non current liabilities-	
Due to employees within one year	12,511
Due to employees due more than one year	403,461
Bonds payable due within one year	1,799,863
Bonds payable due more than one year	23,710,715
Total Liabilities	30,482,794
<b>NET ASSETS :</b>	
Investment in capital assets, net of related liabilities	13,577,513
Restricted -	
Debt service	1,293,382
Capital projects	255,161
Food service	96,491
Unrestricted	704,488
Total Net Assets	\$ 15,927,035

The accompanying notes are an integral part of these financial statements.

**SOUTH LAKE SCHOOLS**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2010**

<b>Functions/Programs</b>	Expenses	Program Revenue			Net (Expense) Revenue and Change in Net Assets
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
<b>Governmental Activities:</b>					
Instruction	\$ 13,638,002	\$ 88,505	\$ 3,250,570	\$ 8,357	\$( 10,290,570)
Support Services	10,369,650	107,107	-	-	( 10,262,543)
Community Services	1,035,535	-	-	-	( 1,035,535)
Athletics	397,992	17,437	-	-	( 380,555)
Food Services	687,675	270,183	449,912	-	32,420
Latch Key	148,689	122,319	-	-	( 26,370)
Outgoing Transfers and Other Transactions	54,903	-	-	-	( 54,903)
Interest and fiscal charges on long term debt	1,244,706	-	-	-	( 1,244,706)
	<b>\$ 27,577,152</b>	<b>\$ 605,551</b>	<b>\$ 3,700,482</b>	<b>\$ 8,357</b>	<b>\$( 23,262,762)</b>
<b>General Revenues:</b>					
Taxes:					
Property taxes, levied for general purposes					5,998,040
Property taxes, levied for debt services					2,522,663
State aid unrestricted					14,147,318
Interest and investment earnings					15,717
Other					103,344
Special Item:					
Impairment of Long-Lived Asset					( 1,589,576)
Total general revenues and special item					21,197,506
Change in net assets					( 2,065,256)
Net assets at beginning of year					17,992,291
Net assets at end of year					\$ 15,927,035

The accompanying notes are an integral part of these financial statements.

**SOUTH LAKE SCHOOLS**

**GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2010**

<b>ASSETS</b>	General	2008 Construction	Other Non-Major Governmental Funds	Total
Cash and cash equivalents	\$ 2,666,776	\$ 2,325,897	\$ 1,655,869	\$ 6,648,542
Investments	-	3,452,043	-	3,452,043
Receivables -				
Accounts	5,746	-	8,357	14,103
Interest	63	4,895	-	4,958
Taxes (net of allowance)	26,566	-	36,922	63,488
Due from other funds	103,577	-	63	103,640
Due from other governmental units -				
State	2,817,956	-	-	2,817,956
Local	208,373	-	-	208,373
Prepaid expenditures	109,047	-	-	109,047
	<b>\$ 5,938,104</b>	<b>\$ 5,782,835</b>	<b>\$ 1,701,211</b>	<b>\$ 13,422,150</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 163,739	\$ 774,650	\$ 3,939	\$ 942,328
Accrued payroll and payroll fringes	2,740,189	-	-	2,740,189
Due to other governmental units	127,008	-	-	127,008
Due to other funds	63	-	233	296
Deferred revenue	60,420	-	47,884	108,304
State aid note	500,000	-	-	500,000
Total Liabilities	3,591,419	774,650	52,056	4,418,125
<b>Fund Balances :</b>				
Reserved -				
Prepaid expenditures	109,047	-	-	109,047
Debt service	-	-	1,293,382	1,293,382
Capital projects	-	5,008,185	255,161	5,263,346
Unreserved -				
Designated -				
Working capital	1,489,349	-	-	1,489,349
Employee compensated absences	391,771	-	-	391,771
Undesignated -				
General Fund	356,518	-	-	356,518
Special Revenue Funds	-	-	100,612	100,612
Total Fund Balances	2,346,685	5,008,185	1,649,155	9,004,025
	<b>\$ 5,938,104</b>	<b>\$ 5,782,835</b>	<b>\$ 1,701,211</b>	<b>\$ 13,422,150</b>

The accompanying notes are an integral part of these financial statements.

## SOUTH LAKE SCHOOLS

### RECONCILIATION OF FUND BALANCES ON THE BALANCE SHEET FOR GOVERNMENTAL FUNDS TO NET ASSETS OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET ASSETS JUNE 30, 2010

Fund Balances - total governmental funds	\$ 9,004,025
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets	43,708,621
Accumulated depreciation	( 11,218,291)
Other long term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	
	53,211
Internal Service Fund used by management to charge cost of the School District's termination payments for qualified employees. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net assets.	
	238,270
Long - term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	
Bonds payable	( 25,725,000)
Accrued interest on bonds payable	( 191,626)
Accrued compensated absence	( 391,771)
Losses on refunding are not reported in the governmental funds, whereas they are capitalized and amortized for net assets (netted against bonds payable)	
	557,091
Premiums on bonds are reported as other financing sources in the governmental funds, where they are capitalized and amortized from net assets (netted against bond payables)	
	( 342,669)
Bond issuance costs reported as debt retirement in the governmental funds, where they are deferred and amortized from net assets	
	<u>235,174</u>
Net Assets of governmental activities	<u><u>\$ 15,927,035</u></u>

The accompanying notes are an integral part of these financial statements.

**SOUTH LAKE SCHOOLS**

**GOVERNMENTAL FUNDS**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2010**

	General	2008 Construction	Other Non-Major Governmental Funds	Total
<b>Revenues:</b>				
Local sources	\$ 6,221,106	\$ 61,742	\$ 2,887,645	\$ 9,170,493
State sources	15,035,040	-	33,017	15,068,057
Federal sources	1,792,554	-	416,895	2,209,449
Interdistrict sources	570,294	-	-	570,294
Total Revenues	23,618,994	61,742	3,337,557	27,018,293
<b>Expenditures:</b>				
Current -				
Instruction	13,068,501	-	-	13,068,501
Support services	10,298,191	-	-	10,298,191
Community services	1,035,535	-	-	1,035,535
Athletics	-	-	382,800	382,800
Food service	-	-	684,779	684,779
Latch key	-	-	148,689	148,689
Outgoing transfers and other transactions	54,903	-	-	54,903
Capital outlay	-	4,955,343	61,810	5,017,153
Debt service	-	-	2,953,344	2,953,344
Total Expenditures	24,457,130	4,955,343	4,231,422	33,643,895
Revenue over (under) expenditures	( 838,136)	( 4,893,601)	( 893,865)	( 6,625,602)
<b>Other Financing Sources (Uses) :</b>				
Transfer In	103,344	-	365,355	468,699
Transfer Out	( 365,355)	-	-	( 365,355)
Total Other Financing Sources (Uses)	( 262,011)	-	365,355	103,344
Net Change in Fund Balance	( 1,100,147)	( 4,893,601)	( 528,510)	( 6,522,258)
Fund Balances at beginning of year	3,446,832	9,901,786	2,177,665	15,526,283
Fund Balances at end of year	\$ 2,346,685	\$ 5,008,185	\$ 1,649,155	\$ 9,004,025

The accompanying notes are an integral part of these financial statements.

**SOUTH LAKE SCHOOLS**

**RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
JUNE 30, 2010**

Net change in fund balances - total governmental funds	\$( 6,522,258)
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>	
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>	
Capital outlay	5,012,502
Depreciation expense	( 691,235)
Impairment of long-lived asset	( 1,589,576)
<p>Revenue reported in the statement of activities that does not provide current financial resources and are not reported as revenue in the governmental funds</p>	
	( 20,977)
<p>The issuance of long-term debt (e.g. bonds, notes, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources to governmental funds. Neither transaction, however, has any effect on net assets.</p>	
Principal payment on bonds	1,735,000
Bond premium, net of amortization	49,144
Deferred issuance cost, net of amortization	( 11,305)
Amortization of deferred loss on refunding	( 74,281)
<p>Internal service fund used by management to charge costs of the School Districts termination payments for qualified employees.</p>	
	812
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.</p>	
Decrease in compensated absences	36,838
Decrease in accrued interest	10,080
	10,080
Change in net assets of governmental activities	\$( 2,065,256)

The accompanying notes are an integral part of these financial statements.

**SOUTH LAKE SCHOOLS**

**PROPRIETARY FUND - INTERNAL SERVICE FUND  
STATEMENT OF NET ASSETS  
JUNE 30, 2010**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 159,727
Investments	206,039
Interest receivable	49
	<u>365,815</u>
<b>LIABILITIES</b>	
Due to other funds	103,344
Due to employees	24,201
	<u>127,545</u>
Total Liabilities	<u>127,545</u>
<b>NET ASSETS</b>	
Unrestricted	<u><u>\$ 238,270</u></u>

**PROPRIETARY FUND - INTERNAL SERVICE FUND  
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2010**

<b>Non-Operating Revenues:</b>	
Interest earned	\$ 812
Net Assets at beginning of year	<u>237,458</u>
Net Asset at end of year	<u><u>\$ 238,270</u></u>

The accompanying notes are an integral part of these financial statements.

**SOUTH LAKE SCHOOLS**

**PROPRIETARY FUND - INTERNAL SERVICE FUND  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Governmental Activities</u>
<b>Cash Flows From Operating Activities:</b>	
Employee benefits paid	\$( 179,520)
Collections from other funds	<u>159,700</u>
Cash Used by Operating Activities	<u>( 19,820)</u>
<b>Cash Flows From Investing Activities:</b>	
Interest earned	784
Purchase of investments	<u>( 206,039)</u>
Cash Used by Investing Activities	<u>( 205,255)</u>
Net Decrease in Cash and Cash Equivalents for the year	( 225,075)
Cash and Cash Equivalents at beginning of year	<u>384,802</u>
Cash and Cash Equivalents at end of year	<u><u>\$ 159,727</u></u>
<b>Reconciliation of operating gain to net cash used by operating activities:</b>	
Operating gain for the year	\$ -
Adjustments to reconcile operating gain to net cash used by operating activities - Changes in assets and liabilities:	
Due from other funds	159,700
Due to employees	<u>( 179,520)</u>
Net Cash Used by Operating Activities	<u><u>\$( 19,820)</u></u>

The accompanying notes are an integral part of these financial statements.

**SOUTH LAKE SCHOOLS**

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
STUDENT ACTIVITIES AGENCY FUND  
JUNE 30, 2010**

**ASSETS:**

Cash and cash equivalents	\$ 120,995
Investments	<u>157,693</u>
Total Assets	<u><u>\$ 278,688</u></u>

**LIABILITIES:**

Accounts payable	\$ 2,292
Due to student groups	<u>276,396</u>
Total Liabilities	<u><u>\$ 278,688</u></u>

The accompanying notes are an integral part of these financial statements.

# SOUTH LAKE SCHOOLS

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting methods and procedures adopted by South Lake Schools conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the more significant accounting policies used by the School District:

#### **A. Reporting Entity -**

South Lake Schools, located in St. Clair Shores, Michigan, was established under the Constitution and statutes of the State of Michigan. South Lake Schools is one of twenty-one (21) school districts located in Macomb County, Michigan, each of which is a separate governmental entity. The School District operates under an elected School Board (seven members) and provides services to its more than 2,300 students in many areas, including basic education, special education, vocational education, adult education, athletics, and food services.

The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School District's reporting entity, and which organizations are legally separate component units of the School District. Based on these criteria the School District had no component units.

#### **B. District-wide and Fund Financial Statements -**

The district-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities* are normally supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, unrestricted state aid and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for Governmental Funds and the Fiduciary Funds, even though the latter are excluded from the district-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

#### **C. Measurement Focus, Basis of Accounting and Financial Statement Presentation -**

The district-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year they are levied. Grants, categorical aid and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

# SOUTH LAKE SCHOOLS

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

As a general rule, the effect of interfund activity has been eliminated from district-wide financial statements.

The Fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, unrestricted state aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and therefore have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the School District.

Proprietary Fund and Fiduciary Fund - The proprietary fund and fiduciary fund statements are also reported using the economic resource measurement focus and the accrual basis of accounting. Proprietary Funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operation. The principal revenue in our proprietary fund relates to other funds for services. Operating expenses for proprietary funds include the costs of services. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

The School District reports the following major governmental funds:

**General Fund** - is the School District's primary operating fund. It accounts for all activities not reported in other funds.

**2008 Construction Fund** - is used to record expenditures in connection with remodeling, re-equipping, and refurbishing school buildings, equipment, technology and school buses.

Additionally, the District reports the following fund types-

**Special Revenue (School Service) Funds** - are used to account for specific revenue sources (other than major capital projects), requiring separate accounting because of legal or regulatory provisions or administrative action. The District has three Special Revenue Funds, which are Athletics, Food Service and Latch Key.

**Debt Service Funds** - are used to account for the accumulation of resources for the payment of principal and interest on long-term debt.

**Capital Project Funds** - are used to record transactions related to the expenditure of bond proceeds for the renovation and expansion of the School District buildings.

**Internal Service Fund** - is used to account for accumulated resources to fund termination payments for qualified employees.

**Agency Fund** - is used to account for assets held by the School District as an agent for student clubs and other activities.

# SOUTH LAKE SCHOOLS

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the School District's policy to apply restricted resources first then unrestricted resources, as they are needed.

#### **D. Assets, Liabilities and Net Assets or Equity -**

##### **Deposits and Investments -**

The School District's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit with original maturities of three months or less from the date of acquisition, money market and governmental pool investment funds which are recorded at cost which approximates fair value. The governmental pool investment funds have the general characteristics of demand deposit accounts in that the School District may deposit additional cash at any time and effectively may withdraw cash at any time without prior notice or penalty, and are reported as cash and cash equivalents.

##### **Receivables and Payables -**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds." (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

All property taxes and trade receivables are shown net of an allowance for uncollectible amount.

##### **Prepaid Items -**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the district-wide financial statements and in the fund financial statements.

##### **Property Tax Calendar -**

Property taxes are levied as of July 1 and December 1, by the various municipalities within the school district based on the assessed value the preceding December 31. Taxes are due on September 14 or February 14, respectively, with the final collection date of February 28, after which the delinquent real property taxes are added to the County roll.

In connection, Macomb County has established a Delinquent Tax Revolving fund whereby all local units of government, including the School District, are paid for the delinquent real property taxes each year. The County will charge back to the local units of government any real property taxes not collected at the end of four years. Past experience has indicated that such chargebacks should not be material.

# SOUTH LAKE SCHOOLS

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

#### Capital Assets -

Capital assets, which include property, buildings, equipment and vehicles, are reported in the district-wide financial statements. Capital assets are defined by the School District as assets with an initial individual cost of \$5,000 or more and an estimated life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. The School District does not have infrastructure type assets.

Property, buildings, equipment and vehicles of the School District are depreciated using the straight-line method over the estimated useful lives:

Building and improvements	20-50 years
Buses and other vehicles	10-15 years
Furniture and equipment	7-20 years

#### Compensated Absences -

In accordance with contracts negotiated with the various employee groups of the School District, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in the contracts. All vested vacation and sick leave is accrued when incurred in the district-wide fund financial statements. A liability for this amount is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

#### Long-Term Obligations -

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, if significant, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types report the face amount of debt issued as other financing sources. Premiums received on debt issuances are reported as other financial sources, while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

#### Fund Equity -

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

# SOUTH LAKE SCHOOLS

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

#### **Comparative Data -**

Comparative Data is not included in the School District's financial statements.

#### **Estimates -**

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

#### **Federal Programs -**

Federal Programs are accounted for in the General and Special Revenue Funds of the District. The District has not integrated its Single Audit Reports and Schedule of Expenditures of Federal Awards as part of the Annual Financial Report. The Single Audit is issued under separate cover as supplementary information to the Basic Financial Statements.

#### **Upcoming Accounting Change -**

The Governmental Accounting Standards Board (GASB) recently issued Statement 54, *Fund Balance Reporting and Governmental Fund-type Definitions*. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing fund-type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The new pronouncement is effective for the District's year ending June 30, 2011. The District's administration is currently evaluating the impact of the pronouncement on its financial statements.

### NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:

#### **Budgetary Compliance -**

The General and Special Revenue Funds budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and are on the same modified accrual basis used to reflect actual results.

The departments, in conjunction with the School District Business Manager, prepare and submit their proposed operating budgets for the fiscal year commencing July 1. The budgets include proposed expenditures and resources to finance them.

Prior to June 30, the proposed budget is presented to the Board of Education. The Board holds a public hearing and may add to, subtract from, or change appropriations. The budget is then legally enacted through the passage of a Board of Education Resolution. After the budget is adopted, all amendments must be approved by the Board of Education.

# SOUTH LAKE SCHOOLS

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010

### NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - (cont'd):

The School District's approved budgets were adopted at the function level for the General and Special Revenue Funds. These are the legal enacted levels under the State of Michigan Uniform Budgeting and Accounting Act and the level of budgetary control adopted by the Board of Education (the level at which expenditures may not legally exceed appropriations). The General Fund budget was maintained at the account level for control purposes.

The School District does not employ encumbrance accounting as an extension of budgetary integration. All amounts appropriated lapse at year-end.

Budget amounts are reported as the original adopted and the final amended by the Board of Education during the year.

Expenditures at these legally adopted levels in excess of the amounts budgeted are a violation of the Budgetary Act. There were none at June 30, 2010.

#### **Bond Compliance -**

##### 2008 Construction Fund -

The School District is remodeling, re-equipping, refurbishing school buildings, athletic facilities and other facilities and preparing, developing and improving sites at school buildings, athletic fields and playgrounds, erecting, equipping and furnishing additions to school buildings and preparing, developing and improving sites for additions to school buildings; erecting, equipping and furnishing athletic facilities and improving sites for athletic facilities; equipping and re-equipping school buildings for technology systems and equipment and purchasing school buses; and paying costs of issuing the Bond.

The accumulated costs as of June 30, 2010 are \$6,382,469.

For these Capital Projects Funds, the School District has complied with the provisions of Section 1351a of the Revised School Code.

### NOTE 3 - DEPOSITS AND INVESTMENTS:

As of June 30, 2010, the carrying amount of the deposits and investments is as follows:

	Governmental Activities	Fiduciary Funds	Total
Cash on Hand -			
Petty Cash	\$ 4,496	\$ -	\$ 4,496
Deposits with Financial Institutions -			
Checking	637,042	120,995	758,037
Savings/Certificates of Deposit	725,370	157,693	883,063
Total Deposits	1,362,412	278,688	1,641,100
Investments -			
Money Markets	2,299,660	-	2,299,660
Investment Pools	3,347,740	-	3,347,740
Asset Backed Securities	3,452,043	-	3,452,043
Total Investments	9,099,443	-	9,099,443
Total Cash on Hand, Deposits and Investments	\$ 10,466,351	\$ 278,688	\$ 10,745,039

**SOUTH LAKE SCHOOLS**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 3 - DEPOSITS AND INVESTMENTS - (cont'd):**

	Governmental Activities	Fiduciary Funds	Total
Reconciliation to Combined Balance Sheet			
Reported as Cash and Cash Equivalents -			
Petty Cash	\$ 4,496	\$ -	\$ 4,496
Checking/Money Market	2,936,702	120,995	3,057,697
Investment Pools	3,347,740	-	3,347,740
Savings/Certificates of Deposit	519,331	-	519,331
Total Cash and Cash Equivalents	6,808,269	120,995	6,929,264
Reported as Investments -			
Certificates of Deposit	206,039	157,693	363,732
Asset Backed Securities	3,452,043	-	3,452,043
Total Investments	3,658,082	157,693	3,815,775
Total Cash, Cash Equivalents and Investments	\$ 10,466,351	\$ 278,688	\$ 10,745,039

**Custodial Credit Risk - Deposits -**

Custodial Credit Risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. Michigan Public Acts authorize school districts in Michigan to deposit in the accounts of federally insured banks, insured credit unions, and savings and loan associations with an office in Michigan. The District does not have a deposit policy for custodial credit risk.

Depository Insurance regulations provide that deposits of governmental units are to be separately insured for the amount of \$250,000 for interest bearing accounts and unlimited insurance for non-interest bearing accounts in a participating bank (\$250,000 for non-interest bearing accounts if the bank has opted not to participate).

As of June 30, 2010 the carrying amount of the School District deposits is \$1,641,100, and the bank balance is \$2,281,163 which is covered by Federal Depository Insurance.

**Investments -**

The District does not have a policy regarding the type of investments or concentration of credit risk; however, Michigan Public Act 132 of 1986, as amended, has authorized School Districts in Michigan to invest surplus funds in the following types of investments:

- a) Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State.
- b) Certificates of deposit issued by a state or national bank, savings account of a state or federal savings and loan association, or certificates of deposit or share certificates of a state or federal credit union organized and authorized to operate in the State.

## SOUTH LAKE SCHOOLS

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010

#### NOTE 3 - DEPOSITS AND INVESTMENTS - (cont'd):

- c) Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.
- d) Securities issued or guaranteed by agencies or instrumentalities of the United States government.
- e) United States government or federal agency obligation repurchase agreements.
- f) Bankers' acceptances issued by a bank that is a member of the Federal Deposit Insurance Corporation.
- g) Mutual funds composed entirely of investment vehicles that are legal for direct investment by a School District.
- h) Investment pools, as authorized by the Surplus Funds Investment Pool Act, Act No. 367 of the Public Acts of 1982, being sections 129.111 to 129.118 of the Michigan Compiled Laws, composed entirely of instruments that are legal for direct investment by a School District.

The investments held by the School District are made through the use of an Investment Advisor, which is selected and retained by the School District Board. The advisor serves at the leisure of the School District Board as provided by the investment agreements. At June 30, 2010 the District had the following investment types:

<u>Investment Types</u>	<u>Fair Value</u>	<u>Percentage</u>
Asset Backed Securities		
Federal Home Loan Bank	\$ 3,452,053	37.94 %
Investment Pools	3,347,740	36.79
Money Markets	2,299,660	25.27
Total	\$ 9,099,443	100.00 %

**Credit Risk - Investments** - The District had \$3,347,740 invested in two investment pools. The investment pools are investment funds created exclusively for Michigan public school districts. The funds comply with all the requirements of Michigan Public Act 451 of 1976. The funds invest primarily in U.S. Government securities, commercial paper, mutual funds and repurchased agreements.

**SOUTH LAKE SCHOOLS**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 3 - DEPOSITS AND INVESTMENTS - (cont'd):**

The balances at June 30, 2010, per investment pool are as follows:

	<u>Amount</u>	<u>Rating</u>	<u>Rating Agency</u>	<u>Average Days to Maturity</u>
Michigan Liquid Asset Fund	\$ 2,887,035	AAAm	S & P	57 days
Comerica Fund J	460,705	Not Rated	N/A	49 days
	<u>\$ 3,347,740</u>			

These investment pools have been reported in the financial statements as a cash equivalent because they have the general characteristics of demand deposit accounts in that the district may deposit additional cash at any time and effectively may withdraw cash at any time without prior notice or penalty.

As of June 30, 2010, investments held by the District, excluding investment pools, had the following ratings:

	<u>Fair Value</u>	<u>Ratings</u>	<u>Rating Agency</u>
Asset Banked Securities			
Federal Home Loan Bank	\$ 3,452,043	AAA	S & P

***Custodial Credit Risk - Investments*** - is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments that are in possession of another party.

The securities of the investment pools are safe kept with a third party selected by the counterparty. However, the pool's securities are held in trust for the participants of the fund that are not available to the counterparty if the counterparty should happen to fail. We believe this arrangement satisfies the District's investment policy safekeeping requirement.

***Concentration of Credit Risk - Investments*** - is the risk of loss attributed to the magnitude of the District's investment in a single issuer. The District's attempts to minimize risk by diversifying its investments by maturity dates, individual financial institutions, and/or security type, so that potential loss on individual securities do not exceed the income generated from the remainder of the portfolio.

## SOUTH LAKE SCHOOLS

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010

#### NOTE 3 - DEPOSITS AND INVESTMENTS - (cont'd):

**Interest Rate Risk - Investments** - Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. At year-end, the School District's investments had the following range of maturity dates:

Investment Types	Fair Value	Maturity (Years)			
		<1	1-5	6-10	>10
Asset Backed Securities	\$ 3,452,043	\$ -	\$ -	\$ -	\$ 3,432,043
Certificates of Deposit	<u>771,956</u>	<u>771,956</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 4,223,999</u>	<u>\$ 771,956</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,432,043</u>

#### NOTE 4 - CAPITAL ASSETS:

Capital assets activity of the School District for the year ended June 30, 2010 was as follows:

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010
Assets, not being depreciated:				
Land	\$ 580,332	\$ -	\$ -	\$ 580,332
Construction in progress	<u>928,132</u>	<u>4,866,482</u>	<u>118,145</u>	<u>5,676,469</u>
Total Assets not being depreciated	<u>1,508,464</u>	<u>4,866,482</u>	<u>118,145</u>	<u>6,256,801</u>
Capital assets, being depreciated:				
Building and improvements	36,688,416	264,165	1,589,576	35,363,005
Buses and other vehicles	853,722	-	-	853,722
Furniture and equipment	<u>1,235,093</u>	<u>-</u>	<u>-</u>	<u>1,235,093</u>
Total capital assets being depreciated	<u>38,777,231</u>	<u>264,165</u>	<u>1,589,576</u>	<u>37,451,820</u>
Less accumulated depreciation for:				
Building and improvements	9,278,470	581,172	-	9,859,642
Buses and other vehicles	490,492	49,984	-	540,476
Furniture and equipment	<u>758,094</u>	<u>60,079</u>	<u>-</u>	<u>818,173</u>
Total accumulated depreciation	<u>10,527,056</u>	<u>691,235</u>	<u>-</u>	<u>11,218,291</u>
Total capital assets being depreciated, net	<u>28,250,175</u>	<u>( 427,070)</u>	<u>1,589,576</u>	<u>26,233,529</u>
Total capital assets	<u>\$ 29,758,639</u>	<u>\$ 4,439,412</u>	<u>\$ 1,707,721</u>	<u>\$ 32,490,330</u>

**SOUTH LAKE SCHOOLS**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 4 - CAPITAL ASSETS - (cont'd):**

Depreciation expense was charged to the various function/programs as follows:

Governmental Activities -	
Instruction	\$ 588,818
Support services	84,253
Athletics	15,192
Food service	<u>2,972</u>
	<u>\$ 691,235</u>

In accordance with GASB Statement No. 42 Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries, capital assets that will no longer be used for their intended purpose are reported at the lower of carrying value (historical value) or fair value. During the year the District ceased operations of the Pare Elementary School, therefore the carrying value of \$3,089,576 has been adjusted to fair value of \$1,500,000.

**NOTE 5 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS:**

The composition of interfund balances is as follows:

**Due To/From Other Funds:**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	2008 Debt Fund	\$ 69 (1)
	2005 Debt Fund	151 (1)
	1997 Debt Fund	13 (1)
	Internal Service Fund	<u>103,344 (2)</u>
		103,577
Latchkey Fund	General Fund	<u>63 (3)</u>
		<u>\$ 103,640</u>

- (1) Reimbursement for debt fund deposit.
- (2) Excess transferred in prior years for benefit expenses.
- (3) Reimbursement for costs incurred.

**Interfund Transfers:**

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Internal Service Fund	\$ 103,344 (2)
Athletics Fund	General Fund	<u>365,355 (4)</u>
		<u>\$ 468,699</u>

- (4) To support operations in the Athletics Fund.

**SOUTH LAKE SCHOOLS**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 6 - DEFERRED REVENUE:**

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent Personal Property Taxes	\$ 343,942	\$ -
Grants/deposits received by the District not expended at June 30, 2010	-	55,093
	343,942	55,093
Less: Allowance for Doubtful Accounts	( 290,731)	( -)
Total	<u>\$ 53,211</u>	<u>\$ 55,093</u>

**NOTE 7 - LONG-TERM DEBT:**

The following is a summary of changes in the long-term debt (including current portions) for the year ended June 30, 2010:

	Balance July 1, 2009 Restated	Additions	Reductions	Balance June 30, 2010	Due Within One Year
District-wide Financial Statements -					
Bonds payable	\$ 27,460,000	\$ -	\$ 1,735,000	\$ 25,725,000	\$ 1,825,000
Deferred amounts for -					
Refunding Loss	( 631,372)	-	( 74,281)	( 557,091)	( 74,281)
Issuance Premium	391,813	-	49,144	342,669	49,144
Accrued vacation/sick leave	428,609	-	36,838	391,771	-
	27,649,050	-	1,746,701	25,902,349	1,799,863
Internal Service Fund -					
Employee Benefits	203,721	-	179,520	24,201	12,511
	<u>\$ 27,852,771</u>	<u>\$ -</u>	<u>\$ 1,926,221</u>	<u>\$ 25,926,550</u>	<u>\$ 1,812,374</u>

**Bonds Payable -**

South Lake Schools issued Building and Site Bonds for the purposes of acquiring land, erecting and remodeling and furnishing and equipping various schools. The bonds are being paid from ad-valorem taxes levied without limitation as to rate or amount as provided by the Michigan Constitution. The bonds payable at June 30, 2010, per respective issue are as follows:

1997 Building and Sites Bonds for equipping and furnishing additions and school buildings; improving athletic fields, playgrounds and other facilities; and acquiring, installing and equipping school buildings for technology systems and equipment, dated November 1, 1997, with original issue of \$25,000,000, were partially refunded February 2005. The remaining bonds are due in installments of \$1,950,000 in 2013 and 2014; interest of 5.125 percent, payable semi-annually. \$ 3,900,000

**SOUTH LAKE SCHOOLS**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 7 - LONG-TERM DEBT - (cont'd):**

In February 2005 \$15,465,000 of general obligation unlimited tax refunding bonds were issued to purchase direct obligations of or obligations in which the principal of and interest are unconditionally guaranteed by the United States of America, which were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments representing \$1,830,000 of the 1995 refunded and \$13,875,000 of the 1997 partially refunded general obligation unlimited tax bonds. As a result, the refunded bonds are considered defeased and the liability has been removed from the governmental activities column of the statement of net assets. The reacquisition price exceeded the net carrying amount of the old debt by \$965,631. This amount is being netted against the new debt and amortized over the remaining life of the refunding debt, which is the same as the life of the new debt issued. This advance refunding was undertaken to reduce total debt service payments over 13 years by \$1,883,395 and resulted in an economic gain of \$742,046. The bonds are due in annual installments ranging from \$1,725,000 to \$1,910,000; interest increasing from 3.50 to 5.00 percent, payable semi-annually. \$ 11,125,000

2008 Building and Site Bonds for remodeling, re-equipping, refurbishing school buildings, athletic facilities and other facilities and preparing, developing and improving sites at school buildings, athletic fields and playgrounds, erecting, equipping and furnishing additions to school buildings and preparing, developing and improving sites for additions to school buildings; erecting, equipping and furnishing athletic facilities and improving sites for athletic facilities; equipping and re-equipping school buildings for technology systems and equipment and purchasing school buses; and paying costs of issuing the Bond dated June 26, 2008 \$10,900,000. The bonds are due in annual installments ranging from \$40,000 to \$900,000; interest increasing from 3.25 to 4.75 percent, payable semi-annually through 2028. 10,700,000  
\$ 25,725,000

The Debt Service Funds have \$1,293,382 available at June 30, 2010, to service the Building and Site Bonds.

**Accrued Vacation and Sick Leave -**

The accrued vacation and sick leave represents the unmatured portion of accumulated unpaid sick leave due qualifying School District employees upon termination with the District. \$ 391,771

**Severance Pay -**

The severance pay amount represents the FICA liability for teachers and principals who opted for the Employee Severance Plan, which is being administered through EPC. A plan was offered to employees during 2007 with exit dates through June 30, 2014. At June 30, 2010 the outstanding balance of \$24,201 represents the FICA payable on future annuity payments made by EPC.

**SOUTH LAKE SCHOOLS**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 7 - LONG-TERM DEBT - (cont'd):**

**Annual Debt Requirements -**

The annual requirements to pay the debt outstanding at June 30, 2010 for the following obligation (excluding vacation and sick) are as follows:

	District-wide Financial Statements		Internal Service Fund
	Bonds		Severance Pay
	Principal	Interest	FICA
2011	\$ 1,825,000	\$ 1,149,759	\$ 12,511
2012	1,840,000	1,086,134	8,080
2013	1,990,000	1,012,834	2,510
2014	1,990,000	911,597	1,100
2015	2,095,000	810,258	-
2016-2020	8,830,000	2,625,723	-
2021-2025	4,480,000	1,259,787	-
2026-2028	2,675,000	253,887	-
	\$ 25,725,000	\$ 9,109,979	\$ 24,201

**NOTE 8 - OPERATING LEASE:**

The School District entered into a 36-month noncancellable lease agreement for the lease of one copier. As of June 30, 2010 the minimum future rental payments are as follows:

Fiscal Year Ended June 30,	
2011	\$ 3,685
2012	1,843
	\$ 5,528

The total rent expenditure for the year ended June 30, 2010 was \$6,938.

# SOUTH LAKE SCHOOLS

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010

### NOTE 9 - DEFINED BENEFIT PENSION PLAN:

#### Plan Description -

The School District, as part of the Michigan Public School System, is required by State law to participate in the Michigan Public School Employees Retirement System (MPERS), a statewide cost sharing multiple-employer defined benefit pension plan administered by the nine-member board of the MPERS. The MPERS provides retirement, survivor and disability benefits and currently operates under the provisions of Act 300 of the Public Acts of 1980, as amended. The plan covers substantially all employees of the School District. The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the plan. The report may be obtained by writing to the Office of Retirement Services, Michigan Public School Employees Retirement System, 7150 Harris Drive, P.O. Box 30171, Lansing, Michigan 48909-7671.

#### Funding Policy -

The School District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefits amounts on a cash disbursement basis. The actuarial rate for the period July 1, 2009 through September 30, 2009 was 16.54% and for the period October 1, 2009 through June 30, 2010 was 16.94%. Basic plan members make no contributions, but non-basic plan members contribute to the Member Investment Plan (MIP) at rates ranging from 3.0% to 4.3% based on the date of enrollment and the graduated permanent fixed rate contributions. The District's contributions to MPERS for the last three years were as follows:

2008	\$ 2,427,015
2009	2,488,664
2010	2,556,050

#### Post Employment Benefits -

Under the MPERS Act, all retirees have the option of continuing health, dental and vision coverage, which are funded on a cash disbursement basis. Retirees having these coverages contribute an amount approximately equivalent to the monthly cost for Part B Medicare and 10% of the monthly premium amount for the health, dental and vision coverage. Required contributions for these post retirement benefits are included in the actuarial rates determined as part of the basic retirement benefits.

### NOTE 10 - RISK MANAGEMENT:

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, and workers' compensation, as well as medical benefits provided to employees. The School District participates in the SET-SEG risk pool for property loss, general liability, fleet coverage, errors and omissions. The pool, organized under Public Act 138, is composed of School Districts throughout the State of Michigan who pay annual premiums based on the level of coverage, experience, deductible levels, etc. The pool retains the first \$500,000 coverage for each individual claim with reinsurance for amounts in excess of that amount. In years when premiums exceed the claims and other costs, refunds are given based on a number of criteria, including those mentioned above. Should the plan need additional funding they could also assess the members' additional charges.

**SOUTH LAKE SCHOOLS**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 10 - RISK MANAGEMENT - (cont'd):**

The School District contracts with a commercial insurance carrier to provide medical benefits. The School District also participates in the SET-SEG Self-Insured Workers' Compensation Fund for claims relating to workers' compensation. The pool operates as a common risk sharing management program for school districts in Michigan. Members' premiums are used to purchase commercial excess insurance and to pay member claims in excess of deductible amounts.

**NOTE 11 - CONSTRUCTION CONTRACT COMMITMENTS:**

The District has also committed to the following contracts for the improvements to existing buildings at June 30, 2010. (These commitments do not include contracts, which have been agreed to that all contractual payments have been made or change orders made after June 30, 2010):

	<u>Contract Amount</u>	<u>Completed Through June 30, 2010</u>	<u>Remaining Balance June 30, 2010</u>
High School	\$ 4,704,794	\$ 3,293,485	\$ 1,411,309
Middle School	140,289	36,234	104,055
Elementary Schools	95,978	46,389	49,589
Athletic Complex	2,000,619	1,003,065	997,554
Technology	<u>677,320</u>	<u>69,715</u>	<u>607,605</u>
	<u>\$ 7,619,000</u>	<u>\$ 4,448,888</u>	<u>\$ 3,170,112</u>

**NOTE 12 - CONTRACT NEGOTIATIONS:**

The School District is currently in negotiations with the teacher's union to settle the contract. The most recent contract ended June 30, 2009. The Teachers have filed an Unfair Labor Practice Charge against the District and demanded a cost-of-living allowance allegedly provided in the expired contract. It is not known at this time if there will be any additional retroactive pay required for 2010.

**REQUIRED SUPPLEMENTARY INFORMATION**

**SOUTH LAKE SCHOOLS**

**GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2010**

	Budget		Actual	Variance with Final Budget Positive ( Negative )
	Original	Final		
<b>Revenues:</b>				
Local sources	\$ 6,290,862	\$ 6,292,944	\$ 6,221,106	\$( 71,838)
State sources	16,899,439	14,868,666	15,035,040	166,374
Federal sources	837,566	1,881,181	1,792,554	( 88,627)
Interdistrict sources	563,114	535,328	570,294	34,966
Total Revenues	<u>24,590,981</u>	<u>23,578,119</u>	<u>23,618,994</u>	<u>40,875</u>
<b>Expenditures:</b>				
Instruction -				
Basic programs	10,951,113	11,305,983	11,272,445	33,538
Added needs	1,809,808	1,823,979	1,796,056	27,923
Support Services -				
Pupil	3,168,601	3,128,492	2,949,681	178,811
Instructional staff	2,308,738	2,028,084	1,871,698	156,386
General administration	496,604	570,596	517,976	52,620
School administration	1,369,405	1,286,038	1,248,416	37,622
Business services	325,250	374,014	335,203	38,811
Operation and maintenance	3,307,081	2,989,656	2,733,991	255,665
Pupil transportation services	555,254	491,812	466,662	25,150
Central	68,512	196,445	174,564	21,881
Community Services -				
Custody and care of children	78,082	78,082	75,557	2,525
Non-public school pupils	643,127	981,718	959,978	21,740
Outgoing Transfers	28,145	74,682	54,903	19,779
Total Expenditures	<u>25,109,720</u>	<u>25,329,581</u>	<u>24,457,130</u>	<u>872,451</u>
Revenues over (under) expenditures	<u>( 518,739)</u>	<u>( 1,751,462)</u>	<u>( 838,136)</u>	<u>913,326</u>
<b>Other Financing Sources (Uses) :</b>				
Transfer In	-	-	103,344	103,344
Transfer Out	( 400,710)	( 376,710)	( 365,355)	11,355
	<u>( 400,710)</u>	<u>( 376,710)</u>	<u>( 262,011)</u>	<u>114,699</u>
Net Change in Fund Balance	( 919,449)	( 2,128,172)	( 1,100,147)	1,028,025
Fund Balance at beginning of year	<u>3,446,832</u>	<u>3,446,832</u>	<u>3,446,832</u>	<u>-</u>
Fund Balance at end of year	<u>\$ 2,527,383</u>	<u>\$ 1,318,660</u>	<u>\$ 2,346,685</u>	<u>\$ 1,028,025</u>

**OTHER SUPPLEMENTARY INFORMATION**

**SOUTH LAKE SCHOOLS**

**NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2010**

	Special Revenue Funds		
	Athletic	Food Service	Latch Key
<b>ASSETS</b>			
Cash and cash equivalents	\$ 3,944	\$ 98,765	\$ 14,884
Due from other funds	-	-	63
Accounts receivable	-	-	-
Taxes receivable	-	-	-
	-	-	-
Total Assets	\$ 3,944	\$ 98,765	\$ 14,947
<b>LIABILITIES AND FUND BALANCE</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 3,939	\$ -	\$ -
Due to other funds	-	-	-
Deferred revenues	-	2,274	10,831
Total Liabilities	3,939	2,274	10,831
<b>Fund Balance:</b>			
Reserved:			
Debt Service	-	-	-
Capital Projects	-	-	-
Unreserved:			
Undesignated	5	96,491	4,116
	5	96,491	4,116
Total Liabilities and Fund Balance	\$ 3,944	\$ 98,765	\$ 14,947

Debt Service Funds			Capital Projects Funds			Total
2008 Issue	2005 Issue	1997 Issue	Building & Site	Energy Conservation Construction	1997 Construction	
\$ 253,780	\$ 943,280	\$ 86,055	\$ 11,007	\$ 244,154	\$ -	\$ 1,655,869
-	-	-	-	-	-	63
-	-	8,357	-	-	-	8,357
10,951	23,989	1,982	-	-	-	36,922
<u>\$ 264,731</u>	<u>\$ 967,269</u>	<u>\$ 96,394</u>	<u>\$ 11,007</u>	<u>\$ 244,154</u>	<u>\$ -</u>	<u>\$ 1,701,211</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,939
69	151	13	-	-	-	233
10,316	22,597	1,866	-	-	-	47,884
<u>10,385</u>	<u>22,748</u>	<u>1,879</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>52,056</u>
254,346	944,521	94,515	-	-	-	1,293,382
-	-	-	11,007	244,154	-	255,161
-	-	-	-	-	-	100,612
<u>254,346</u>	<u>944,521</u>	<u>94,515</u>	<u>11,007</u>	<u>244,154</u>	<u>-</u>	<u>1,649,155</u>
<u>\$ 264,731</u>	<u>\$ 967,269</u>	<u>\$ 96,394</u>	<u>\$ 11,007</u>	<u>\$ 244,154</u>	<u>\$ -</u>	<u>\$ 1,701,211</u>

**SOUTH LAKE SCHOOLS**

**NONMAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2010**

	Special Revenue Funds		
	Athletic	Food Service	Latch Key
<b>Revenues:</b>			
Local Sources -			
Interest	\$ 8	\$ 95	\$ 65
Other	17,437	270,183	122,319
State Sources	-	33,017	-
Federal Sources	-	416,895	-
Total Revenues	17,445	720,190	122,384
<b>Expenditures:</b>			
Current -			
Athletics	382,800	-	-
Food services	-	684,779	-
Latch key	-	-	148,689
Capital Outlay	-	-	-
Debt Service			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
Total Expenditures	382,800	684,779	148,689
Revenues over (under) expenditures	( 365,355)	35,411	( 26,305)
<b>Other Financing Sources:</b>			
Transfers in	365,355	-	-
Net Change in Fund Balance	-	35,411	( 26,305)
Fund Balances at beginning of year	5	61,080	30,421
Fund Balances at end of year	\$ 5	\$ 96,491	\$ 4,116

Debt Service Funds			Capital Projects Funds			Total
2008 Issue	2005 Issue	1997 Issue	Building & Site	Energy Conservation Construction	1997 Construction	
\$ 1,193	\$ 5,816	\$ 749	\$ 71	\$ 431	-	\$ 8,428
730,162	1,598,741	140,375	-	-	-	2,879,217
-	-	-	-	-	-	33,017
-	-	-	-	-	-	416,895
<u>731,355</u>	<u>1,604,557</u>	<u>141,124</u>	<u>71</u>	<u>431</u>	<u>-</u>	<u>3,337,557</u>
-	-	-	-	-	-	382,800
-	-	-	-	-	-	684,779
-	-	-	-	-	-	148,689
-	-	-	61,666	-	144	61,810
100,000	1,635,000	-	-	-	-	1,735,000
483,187	534,581	200,576	-	-	-	1,218,344
<u>583,187</u>	<u>2,169,581</u>	<u>200,576</u>	<u>61,666</u>	<u>-</u>	<u>144</u>	<u>4,231,422</u>
148,168	( 565,024)	( 59,452)	( 61,595)	431	( 144)	( 893,865)
-	-	-	-	-	-	365,355
148,168	( 565,024)	( 59,452)	( 61,595)	431	( 144)	( 528,510)
106,178	1,509,545	153,967	72,602	243,723	144	2,177,665
<u>\$ 254,346</u>	<u>\$ 944,521</u>	<u>\$ 94,515</u>	<u>\$ 11,007</u>	<u>\$ 244,154</u>	<u>\$ -</u>	<u>\$ 1,649,155</u>

**SOUTH LAKE SCHOOLS**

**ATHLETICS FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2010**

	Budget		Actual	Variance with Final Budget Positive ( Negative )
	Original	Final		
<b>Revenues:</b>				
Local sources -				
Gate receipts	\$ 20,000	\$ 20,000	\$ 17,437	\$( 2,563)
Interest	-	-	8	8
Total Revenues	<u>20,000</u>	<u>20,000</u>	<u>17,445</u>	<u>( 2,555)</u>
<b>Expenditures:</b>				
Athletics -				
Salaries			145,335	
Insurance			18,529	
FICA, retirement, etc.			37,598	
Purchased services			136,709	
Supplies and materials			44,629	
Total Expenditures	<u>420,710</u>	<u>396,710</u>	<u>382,800</u>	<u>13,910</u>
Revenue under expenditures	( 400,710)	( 376,710)	( 365,355)	11,355
<b>Other Financing Sources :</b>				
Transfer In	<u>400,710</u>	<u>376,710</u>	<u>365,355</u>	<u>( 11,355)</u>
Net Change in Fund Balance	-	-	-	-
Fund Balance at beginning of year	<u>5</u>	<u>5</u>	<u>5</u>	<u>-</u>
Fund Balance at end of year	<u>\$ 5</u>	<u>\$ 5</u>	<u>\$ 5</u>	<u>\$ -</u>

**SOUTH LAKE SCHOOLS**

**FOOD SERVICE FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**

**BUDGET AND ACTUAL**

**FOR THE YEAR ENDED JUNE 30, 2010**

	Budget		Actual	Variance with Final Budget Positive ( Negative )
	Original	Final		
<b>Revenues:</b>				
Local sources -				
Sales	\$ 294,582	\$ 271,888	\$ 270,183	\$( 1,705)
Interest	-	-	95	95
State sources -				
Durant	35,247	32,876	33,017	141
Federal sources -				
Grants	358,557	417,136	416,895	( 241)
Total Revenues	<u>688,386</u>	<u>721,900</u>	<u>720,190</u>	<u>( 1,710)</u>
<b>Expenditures:</b>				
Food Service -				
Salaries			213,771	
Insurance			43,391	
FICA, retirement, etc.			56,315	
Purchased services			4,210	
Cost of goods sold			360,361	
Other expenditures			6,731	
Total Expenditures	<u>688,386</u>	<u>707,518</u>	<u>684,779</u>	<u>22,739</u>
Net Change in Fund Balance	-	14,382	35,411	21,029
Fund Balance at beginning of year	<u>61,080</u>	<u>61,080</u>	<u>61,080</u>	<u>-</u>
Fund Balance at end of year	<u>\$ 61,080</u>	<u>\$ 75,462</u>	<u>\$ 96,491</u>	<u>\$ 21,029</u>

**SOUTH LAKE SCHOOLS**

**LATCH KEY FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**

**BUDGET AND ACTUAL**

**FOR THE YEAR ENDED JUNE 30, 2010**

	Budget		Actual	Variance with Final Budget Positive ( Negative )
	Original	Final		
<b>Revenues:</b>				
Local sources -				
Tuition	\$ 175,173	\$ 118,785	\$ 121,793	\$ 3,008
Interest	-	-	65	65
Other	-	-	526	526
	<u>175,173</u>	<u>118,785</u>	<u>122,384</u>	<u>3,599</u>
<b>Expenditures:</b>				
Current -				
Salaries			106,499	
Insurance			360	
FICA, retirement, etc.			26,282	
Purchased services			567	
Supplies and materials			4,038	
Other expenditures			10,943	
Total Expenditures	<u>175,173</u>	<u>149,206</u>	<u>148,689</u>	<u>517</u>
Net Change in Fund Balance	-	( 30,421)	( 26,305)	4,116
Fund Balance at beginning of year	<u>30,421</u>	<u>30,421</u>	<u>30,421</u>	<u>-</u>
Fund Balance at end of year	<u>\$ 30,421</u>	<u>\$ -</u>	<u>\$ 4,116</u>	<u>\$ 4,116</u>

## **FIDUCIARY FUND**

**SOUTH LAKE SCHOOLS**

**AGENCY FUND  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Balance July 1, 2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2010</u>
<b>ASSETS</b>				
Cash and investments	\$ 113,600	\$ 290,390	\$ 282,995	\$ 120,995
Investments	<u>157,411</u>	<u>577</u>	<u>295</u>	<u>157,693</u>
	<u>\$ 271,011</u>	<u>\$ 290,967</u>	<u>\$ 283,290</u>	<u>\$ 278,688</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 2,292	\$ -	\$ -	\$ 2,292
Due to student groups	<u>268,719</u>	<u>290,967</u>	<u>283,290</u>	<u>276,396</u>
	<u>\$ 271,011</u>	<u>\$ 290,967</u>	<u>\$ 283,290</u>	<u>\$ 278,688</u>